

***IURC Cause No. 43477***

***Boonville, Indiana***

***Municipal Water  
Utility***

**FILED**

**JUN 02 2008**

**INDIANA UTILITY  
REGULATORY COMMISSION**

***Prefiled Direct  
Testimony of  
John M. Seever, C.P.A.***

***June 2, 2008***

***Umbaugh  
Certified Public Accountants  
Indianapolis, Indiana***

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE )  
CITY OF BOONVILLE, INDIANA, FOR AUTHORITY )  
TO ISSUE BONDS AND FOR APPROVAL OF A NEW ) Cause No. 43477  
SCHEDULE OF RATES AND CHARGES )

TESTIMONY OF JOHN M. SEEVER, CPA

June 2, 2008

On Behalf of Petitioner  
City of Boonville Municipal Water Utility

1   **Q.   Please state your name and business address.**

2   A.   My name is John M. Seever and my business address is 8365 Keystone Crossing, Suite  
3       300, Indianapolis, Indiana 46240-0458.

4

5   **Q.   What is your profession and for whom are you employed?**

6   A.   I am a Certified Public Accountant and a partner in the firm of Umbaugh, Certified  
7       Public Accountants.

8

9   **Q.   Can you describe your firm and its area of expertise?**

10   A.   Umbaugh is a firm of Certified Public Accountants practicing exclusively as independent  
11       financial advisors and utility consultants. The firm, in existence for over fifty (50) years,  
12       is a regional CPA firm with offices in Indianapolis and Plymouth, Indiana and Lansing,  
13       Michigan. Our firm has concentrated its practice in providing financial advisory services  
14       to various governmental entities and not-for-profit utilities within the State of Indiana. A  
15       large part of our practice involves accounting studies in connection with changes in  
16       utility rates and financial planning for the issuance of tax-exempt bonds and other  
17       evidences of indebtedness.

18

19   **Q.   What is your educational experience?**

20   A.   In May, 1982, I received a Bachelor of Science Degree from the Indiana University  
21       School of Business in Bloomington, Indiana. Since then I have completed various  
22       professional courses sponsored by the American Institute of Certified Public  
23       Accountants, the Indiana CPA Society and other professional organizations.

1   **Q.   Please describe your relevant professional experience.**

2   A.   I joined the firm of Umbaugh in May 1982 and, in 1985, completed the requirements to  
3       become licensed as a Certified Public Accountant in the State of Indiana. In July 1987 I  
4       assumed the position of client manager within the firm. On January 1, 1992, I became a  
5       partner in the firm. I currently serve on the firm's management and executive committee  
6       and serve as the leader of the Accounting Services Group. During the past twenty-six  
7       years with Umbaugh, I have been involved with many professional engagements  
8       including financial studies for municipally-owned water, electric, gas and sewage  
9       utilities, not-for-profit water corporations, water authorities, regional water and sewer  
10      districts and conservancy districts. These studies quite often have involved the  
11      determination of utility revenue requirements, cost of service studies and the financial  
12      planning associated with the issuance of tax-exempt and taxable bonds and loans for  
13      projects of municipal utilities and not-for-profit water corporations financed through  
14      Rural Development ("RD"), tax-exempt private activity bonds or other sources. I have  
15      given speeches and participated in panels and workshops concerning utility rates,  
16      financing and project development before the Indiana Water and Wastewater Alliance,  
17      the Indiana Section of the American Water Works Association, the Indiana Rural Water  
18      Association, the Indiana Regional Sewer District Association and the Indiana Association  
19      of Cities and Towns.

20  
21   **Q.   What professional organizations are you associated with?**

22   A.   I am a member of the American Institute of Certified Public Accountants, The Indiana  
23       CPA Society and the American Water Works Association ("AWWA") and our firm is a

1 member of both the Indiana Rural Water Association and the Indiana Water and  
2 Wastewater Alliance. In addition, our firm serves as the financial advisor to the Indiana  
3 Association of Cities and Towns and I serve on their Executive Board. In this capacity,  
4 we provide guidance on financial matters that affect communities across the State.  
5

6 **Q. Have you testified before as an expert witness?**

7 A. Yes, I have testified before the Indiana Utility Regulatory Commission ("IURC") on  
8 many previous occasions.  
9

10 **Q. Was your firm retained by the Boonville Municipal Water Utility, ("Petitioner") in**  
11 **connection with these proceedings?**

12 A. Yes. We were retained by the Petitioner to advise them on rates and financing options in  
13 light of the Petitioner's desire to construct certain improvements to its waterworks system  
14 ("Utility").  
15

16 Additionally, we were retained to complete an accounting study to determine the rates  
17 necessary to support the revenue requirements and make recommendations regarding  
18 changes in Petitioner's present schedule of rates and charges for service.  
19

20  
21 **Q. Have the results of your analysis and advice to the Petitioner regarding the Petition**  
22 **filed March 31, 2008 been reduced to writing?**

1 A. Yes. Our firm prepared an accounting report dated June 2, 2008 ("Accounting Report")  
2 summarizing the results of our studies.  
3

4 **Q. Was the Accounting Report prepared by or under your supervision?**

5 A. Yes.  
6

7 **Q. Would you please explain the Accounting Report to the extent not otherwise self-**  
8 **explanatory?**

9 A. The Accounting Report is divided into four sections. The first section of the report is the  
10 accountant's letter which describes that the type of accounting service provided was a  
11 compilation and that the resulting accounting report is a special purpose report for  
12 submission to the Indiana Utility Regulatory Commission and is restricted to that purpose  
13 only. This letter is incorporated by reference on all the pages of the accounting report.  
14

15 The second section of the report (pages 2 through 4), relates general comments, which  
16 help to explain and describe certain assumptions made, and resulting findings derived  
17 from the various schedules.  
18

19 The third section of the report (pages 5 through 31), contains pro forma financial  
20 information for the 12 months ended December 31, 2007, which was the test year used to  
21 develop the proposed rates and charges. This section contains a schedule of estimated  
22 project costs and funding, accompanying bond amortization schedule to retire the  
23 proposed bond issue, and a combined bond amortization schedule. Pages 8 through 13

1 set forth the various calculations of the Utility's pro forma cash operating expenses. Page  
2 14 calculates the pro forma depreciation allowance. Pages 15 through 19 summarize the  
3 pro forma annual revenue requirements and available revenues included in this Cause.  
4 Pages 20 through 22 show a comparison of the Utility's present rates and the rates  
5 proposed in this Cause. Pages 23 through 27 present the calculation for the Base Cost of  
6 Service to cost-justify the adjustment of the bottom bracket rate and the wholesale rate to  
7 Tennyson. Finally, pages 28 through 31 present the calculation for the wholesale rate  
8 and monthly fixed charge for Yankeetown.

9  
10 The fourth section of the Accounting Report (pages 32 to 40) contains additional  
11 unaudited financial information regarding the test year and comparative financial  
12 information for the two preceding calendar years, 2005 and 2006. In addition, we have  
13 provided the bond amortization of the existing bond issue and a schedule comparing the  
14 Utility's cash and investment account balances at the end of the test year with the  
15 requirements stated in the existing bond ordinance.

16  
17 The schedule of estimated project costs and funding for the proposed capital  
18 improvements is presented on page 5 of our report. Based upon engineering estimates  
19 the construction costs amount to \$6,931,000 including construction contingencies.  
20 Adding the non-construction costs of engineering, inspection, surveys, easements, land  
21 acquisition and bond issuance costs of \$1,209,000 results in total estimated project costs  
22 of \$8,140,000. The project consists of the costs associated with the design and  
23 construction of well field improvements, new water treatment plant improvements, new

1 clear wells at the treatment plant, water distribution improvements, replacement of the  
2 control system at the treatment plant and a water main extension for a new wholesale  
3 customer. Petitioner desires to finance the project with waterworks revenue bonds. We  
4 have assumed the bonds will be funded through the proceeds of \$8,140,000 principal  
5 amount of State Revolving Fund (the "SRF") Revenue Bonds (the "Proposed bonds").  
6

7 The estimated construction costs, contingencies and non-construction costs allocable to  
8 Yankeetown are also displayed in this schedule as provided by the consulting engineers.  
9 These estimated allocable project costs are displayed to provide for the calculation of the  
10 proposed volumetric rate and monthly fixed charge for Yankeetown later in this  
11 Accounting Report. Allocable estimated construction costs and contingencies amount to  
12 \$451,000 plus estimated non-construction costs of \$115,000 provide for total estimated  
13 project costs allocable to Yankeetown of \$566,000.  
14

15 **Q. Thank you, please continue.**

16 **A.** The amortization of the proposed 2008 bonds is shown on page 6 of the report. Principal  
17 of the proposed bonds is shown to be paid annually over a twenty-year period beginning  
18 January 1, 2011. Interest is shown to be paid semi-annually beginning January 1, 2009  
19 with estimated interest rate of 3.78 percent. The average principal and interest payment  
20 on the proposed bond issue is calculated on page 6 at \$587,330.20 annually for the five  
21 bond years ending January 1, 2015 at the assumed level of interest rate. Principal  
22 repayment on the proposed 2008 bond issue has been structured in such a way to  
23 maintain level debt service. Level debt service results in the lowest total interest



1 payments. In addition, the proposed bonds are anticipated to be issued to SRF where  
2 "wrapped" amortizations are subject to the approval of SRF.

3  
4 **Q. Mr. Seever, how did you arrive at the estimated interest rates shown on the**  
5 **proposed amortization schedules?**

6 A. Twenty-five basis points were added to the current SRF interest rates of 3.53 percent in  
7 effect for the period April 1, 2008 through June 30, 2008 for the classification of median  
8 household income and proposed water rates that includes Boonville. As is customary  
9 practice, Petitioner proposes to perform a true-up calculation subsequent to the issuance  
10 of the bonds and adjust user rates accordingly to reflect the actual debt service.

11  
12 **Q. Thank you. Please continue with your explanation.**

13 A. Page 8 of the report shows the test year cash operating expenses, including taxes, and the  
14 adjustments which have been made to arrive at the pro forma annual cash operating  
15 expenses. Each of the adjustments is explained in detail on pages 9 through 13 of the  
16 report. Adjustments have been made to reflect current price levels for labor, employee  
17 benefits, taxes and insurance. Additional adjustments have been made to normalize  
18 purchased power requirements and the operations management agreement with US Filter  
19 (now Veolia Water). In addition, adjustments have been made to provide for periodic  
20 costs such as well and pump maintenance, storage tank maintenance and filter  
21 maintenance and to eliminate costs considered to be capital or non-recurring in nature.  
22 Finally, adjustments were made to normalize the utility receipts tax, postage and phone  
23 expense for the test year. The Petitioner has elected, in the current Cause, to forgo

1 payments in lieu of property taxes to help soften the impact of the rate increase being  
2 requested.

3  
4 Page 14 presents the calculation of the pro forma depreciation allowance based on capital  
5 assets in service at the end of the test year. Pro forma depreciation allowance on the  
6 proposed facilities to be constructed with the proceeds of the bonds is not being requested  
7 as part of this proceeding. This allowance will be revisited in future Causes.

8  
9 Pages 15 through 19 summarize the pro forma revenue requirements of the Petitioner.  
10 The increases are projected to be phased in two steps. The Step I increase is proposed to  
11 take effect after receipt of the IURC Order. The Step II increase is proposed to take  
12 effect as soon as practical subsequent to the substantial completion of the project. The  
13 pro forma revenue requirements for Step I incorporate the Petitioner's adjusted operation  
14 and maintenance expenses as shown on pages 8 through 13 and includes amounts  
15 deferred from the preceeding IURC Cause. The debt service requirement on the  
16 outstanding 2006 Bonds is added equal to average annual principal and interest payment  
17 for the five years ending January 1, 2015. Next, the interest only payments on the  
18 proposed bonds from the date of issuance through year ending January 1, 2010 in the  
19 amount of \$307,692 on page 6 has been included. The debt service requirement for the  
20 proposed bonds assumes a twenty-year state revolving loan bond issue with an interest  
21 rate of 3.78 percent. The proposed annual debt service reserve requirement of \$105,894,  
22 as reported on page 18, is equal to the maximum annual debt service on the proposed  
23 bonds funded through level deposits annually over a five-year period together with

1 assumed interest earnings of 2.0%. An allowance for replacements and improvements  
2 equal to pro forma depreciation expense (as calculated on page 14), results in total  
3 revenue requirements of \$2,057,715. Total revenue requirements are then reduced by pro  
4 forma interest income and test year penalties, other income and projected interim debt  
5 service fixed fee to Yankeetown resulting in net revenue requirements of \$2,003,109.

6  
7 Additional adjustments are made for utility receipts tax of \$9,787 and an increase in the  
8 bottom bracket for sales and a decrease in the wholesale rate to cover the base cost of  
9 service as calculated on page 27 in the amount of \$17,370. In order to provide sufficient  
10 revenues to meet the pro forma annual revenue requirements in Step I, the current  
11 normalized annual revenues shown on pages 15 through 16 would need to be increased  
12 by \$670,333, or approximately 49.93 percent across-the-board.

13  
14 **Q. What additional increase is needed after construction is completed.**

15 **A.** Again, in order to minimize the additional rate increase required the Petitioner has opted  
16 not to request payment in lieu of property taxes and depreciation allowance on the  
17 proposed project in Step II. Adjustments for an additional increase in operating expenses  
18 resulting from the addition of Yankeetown based on engineer's estimates of \$19,895, an  
19 increase in debt service requirements on the SRF bonds of \$279,638, an additional utility  
20 receipts tax allowance of \$4,524 and the additional revenues of \$101,196 for volumetric  
21 sales and the full debt service fixed charge to Yankeetown will result in an additional  
22 increase of \$202,861 in annual revenue requirements, or an additional 10.08 percent  
23 across-the-board increase over the increase provided in Step I. Pages 20 through 22 of the

1 report summarize the present and proposed water rates and charges during construction  
2 and after construction. The rates proposed for residential, commercial and industrial  
3 users consist of a volume rate with minimum charges based on minimum gallons allowed  
4 by meter size and fire protection service charge based on meter sizes. Non-recurring  
5 charges and the charges for the tap in fees are not being changed at this time.  
6

7 **Q. Thank you, please continue.**

8 A. The calculation of base cost of service is reflected on pages 23 through 27. Page 23  
9 presents the system demand characteristics as provided by utility management and their  
10 consulting engineers. Pages 24 through 26 present the calculations of the pro forma  
11 capital assets and annual cash operating expenses to base cost of service. Page 27  
12 presents the allocation of annual revenue requirements to base cost of service. The  
13 calculated base cost of service rate is used to adjust the lowest rate bracket for the retail  
14 users along with the wholesale rate to Tennyson.  
15

16 **Q. Thank you, please continue with your explanation.**

17 A. The schedules presenting the calculation and allocations resulting in the volumetric rate  
18 and monthly fixed charge for Yankeetown, the proposed sales for resale user, are  
19 included on pages 28 through 31. Page 28 presents the calculation of the allocation of the  
20 estimated project costs to Yankeetown. Pages 29 through 30 present the allocations of  
21 the pro forma annual cash operating expenses and annual revenue requirements to  
22 Yankeetown. Page 31 summarizes the pro forma annual revenue requirements allocated

1 to Yankeetown and presents the calculation of the fixed debt service charges and the  
2 volumetric rate.

3  
4 The final section of the Accounting Report contains unaudited supplemental financial  
5 information for the test year, together with comparative financial information for the two  
6 preceding calendar years, 2005 and 2006. In addition, we have provided a comparison of  
7 cash balances required per the current bond ordinance and the bond amortization of the  
8 outstanding debt.

9  
10 **Q. Does this conclude the explanation of the Accounting Report?**

11 A. Yes it does.

12  
13 **Q. Is it your opinion that the proposed financing through the issuance of the bonds is a**  
14 **reasonable and necessary method of funding the proposed Project?**

15 A. Yes it is.

16  
17 **Q. Is it your opinion that the rates proposed in your Accounting Report are fair, just,**  
18 **non-discriminatory and reasonable and necessary to meet the projected revenue**  
19 **requirements of the utility?**

20 A. Yes, it is my opinion they are.

21  
22 **Q. Does this conclude your direct testimony in this Cause?**

23 A. Yes it does.

***Petitioner's Exhibit JMS-1***

***IURC Cause No. 43477***

***Boonville, Indiana***

***Municipal Water  
Utility***

***Accounting Report On  
Proposed Change in  
Rates and Charges and  
Bond Issue***

***June 2, 2008***

***Umbaugh  
Certified Public Accountants  
Indianapolis, Indiana***

## TABLE OF CONTENTS

### Page (s)

### REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

#### PRO FORMA FINANCIAL INFORMATION

2 - 4	General Comments
5	Schedule of Estimated Project Costs and Funding
6	Schedule of Amortization of \$8,140,000 Principal Amount of Proposed Waterworks Revenue Bonds of 2008
7	Schedule of Combined Bond Amortization
8 - 13	Pro Forma Annual Cash Operating Expenses
14	Calculation of Pro Forma Depreciation Allowance
15 - 19	Pro Forma Annual Revenue Requirements and Annual Operating Revenues
20 - 22	Schedule of Present and Proposed Water Rates and Charges

#### BASE COST OF WATER ANALYSIS

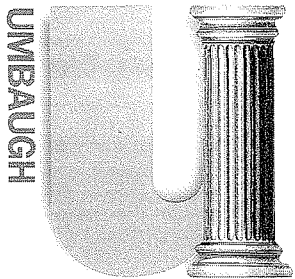
23	System Demand Characteristics
24	Calculation of Pro Forma Capital Assets in Service
25	Allocation of Capital Assets to Base Cost of Service
26	Allocation of Pro Forma Annual Operating Expenses to Base Cost of Service
27	Allocation of Annual Revenue Requirements to Base Cost of Service

#### YANKEETOWN WHOLESALE WATER RATE CALCULATION

28	Allocation of Estimated Project Costs to Yankeetown
29	Allocation of Pro Forma Annual Cash Operating Expenses to Yankeetown
30	Allocation of Pro Forma Annual Revenue Requirements to Yankeetown
31	Summary of Pro Forma Annual Revenue Requirements Allocated to Yankeetown

#### UNAUDITED SUPPLEMENTAL FINANCIAL DATA

32 - 33	Comparative Statement of Net Assets
34 - 35	Comparative Statement of Revenues, Expenses and Other Changes in Fund Net Assets
36 - 37	Comparative Statement of Cash Flows
38 - 39	Comparison of Account Balances With Minimum Balances Required
40	Schedule of Amortization of \$4,215,000 Principal Amount of Outstanding Waterworks Revenue Bonds of 2006



It's all about experience.

H.J. Umbaugh & Associates  
8365 Keystone Crossing • Suite 300  
P.O. Box 40458  
Indianapolis, IN 46240-0458  
Phone: 317-465-1500  
Fax: 317-465-1550  
Website: www.hju.com

June 2, 2008

Honorable Pam Hendrickson, Mayor, and  
Members of the Common Council  
City of Boonville  
City Hall  
135 S. 2<sup>nd</sup> Street  
Boonville, IN 47601-0585

In connection with the proposed increase in the Water Utility's schedule of water rates and charges, we have, at your request, compiled this special purpose report for submission to the Indiana Utility Regulatory Commission.

This report has been compiled for the purpose of requesting approval for a new schedule of water rates and charges and for authority to issue waterworks revenue bonds from the Indiana Utility Regulatory Commission and should not be used for any other purpose.

In the preparation of this report, certain financial information for the twelve months ended December 31, 2007 was obtained from the records of the Water Utility, without audit or review, and accordingly, we express no opinion or any other form of assurance thereon. Further, the pro forma financial information in this report is based upon unaudited financial information for the twelve months ended December 31, 2007 and assumptions provided by management and their consulting engineers or obtained from other sources. This pro forma financial information is prepared for the purpose of showing the estimated financial effects on the utility's revenue and revenue requirements of an increase in rates and charges for service and other changes that may be reasonably fixed, known or measured, excluding provisions for future inflation. The actual results achieved may vary from the pro forma information and the variations may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The summarized historical financial statements for the twelve months ended December 31, 2005, 2006 and 2007, and supplemental data, were taken from the Water Utility's internal statements. They are presented as supplemental data and are not intended to constitute an adequate presentation of the financial position, the results of operations nor cash flows in accordance with generally accepted accounting principles. They have not been audited or reviewed by us, therefore, we do not express an opinion or any other form of assurance thereon.



BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

PRO FORMA FINANCIAL INFORMATION

## **BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

### **GENERAL COMMENTS**

The City of Boonville, located in Warrick County, Indiana, owns and operates a water utility and furnishes retail water service to the residents of the City and the surrounding area.

In order to provide sufficient revenues for the anticipated expenses of operation and maintenance including taxes, to provide for the payment of principal and interest on the existing and proposed bonds, to fund a debt service reserve and to provide for replacements and improvements to utility plant, the Common Council of the City of Boonville proposes to increase water rates and charges, subject to the approval of the Indiana Utility Regulatory Commission.

The City has engaged the engineering firm of Midwestern Engineering, Inc. to identify necessary improvements to the City's existing water system. The report prepared by the engineers has identified the need to construct various improvements including a new water treatment plant, well field improvements, new clear wells at new treatment plant, water storage tank painting, replacement of the control system and Yankeetown connection for wholesale water sales. The project is anticipated to be funded with waterworks revenue bonds ("2008 Bonds") issued through the Indiana State Revolving Loan Fund Program ("SRF"). The project is to commence during the fall of 2008.

### **PRO FORMA ANNUAL REVENUE REQUIREMENTS**

#### **Schedule of Estimated Project Costs and Funding – Page 5**

This schedule displays the uses and sources of funding. The Water Utility project costs are based on estimated construction costs provided by the Water Utility's consulting engineer and include costs of issuance. Total project costs are estimated to be \$8,140,000 and will be funded with proposed 2008 Bonds, issued through the Indiana State Revolving Fund Loan Program.

#### **Schedule of Amortization of \$8,140,000 Principal Amount of Proposed Waterworks Revenue Bonds of 2008 - Page 6**

The amortization of the \$8,140,000 principal amount of proposed waterworks revenue bonds is presented in this schedule. The bonds will mature serially over a period of approximately twenty-one years beginning with the first principal payment on January 1, 2011 and the final bonds due January 1, 2030. The bonds are amortized at an assumed SRF subsidized interest rate of 3.78%.

#### **Schedule of Combined Bond Amortization - Page 7**

The annual principal and interest payments of the outstanding and proposed revenue bonds are shown on this schedule based upon the assumed interest rates. The combined annual debt service payments for the five bond years ending January 1, 2015 is estimated to average \$919,235.

(Continued on next page)

## **BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

### **GENERAL COMMENTS**

#### **PRO FORMA ANNUAL REVENUE REQUIREMENTS (Cont'd)**

##### **Pro Forma Annual Cash Operating Expenses – Pages 8 - 13**

The recorded cash operating expenses for the twelve months ended December 31, 2007 have been adjusted for fixed, known and measurable changes as explained on pages 9 through 13 to arrive at the pro forma annual cash operating expenses. Significant among the adjustments are periodic maintenance requirements, purchased power, and other fixed, known and measurable changes. The adjustments exclude a provision for future inflation.

##### **Calculation of Pro Forma Depreciation Allowance – Page 14**

The calculation of pro forma annual depreciation allowance based on the capital assets in service and accumulated depreciation as of December 31, 2007 is displayed on this page.

##### **Pro Forma Annual Revenue Requirements and Annual Revenues – Pages 15 – 19**

The recorded cash operating expenses for the twelve months ended December 31, 2007, have been adjusted for expected changes as explained on pages 8 through 13 to arrive at the pro forma annual cash operating expenses. The annual debt service requirement reflects the average annual principal and interest payments on the outstanding 2006 bonds as well as the proposed 2008 bonds. An annual requirement is included to provide for funding of a debt service reserve account over a five-year period for the proposed bond issue. The annual requirement for replacements and improvements to utility plant is based upon 2% composite depreciation rate as calculated on page 14.

The available revenues are adjusted for the pro forma increase to the bottom block and wholesale usage for the base cost of water adjustment calculated on pages 23 to 31. The pro forma deficiency of receipts as compared to pro forma revenue requirements for the construction phase of the project in the initial Step I amounts to approximately \$670,333 that results in a 49.93% calculated increase in rates. The pro forma deficiency of receipts as compared to pro forma revenue requirements after construction is completed amounts to an additional \$202,861, which results in an additional 10.08% calculated increase in rates.

##### **Schedule of Present and Proposed Water Rates and Charges – Pages 20 - 22**

This schedule compares the rates currently being charged by the water utility with the proposed rates necessary to fund the 2008 projects during and after completion of construction.

(Continued on next page)

## **BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**(Cont'd)**

### **GENERAL COMMENTS**

#### **PRO FORMA ANNUAL REVENUE REQUIREMENTS (Cont'd)**

##### **Base Cost of Water Analysis – Pages 23 – 27**

Pages 23 through 27 include the schedules that reflect the system demand characteristics and allocation of capital assets and pro forma annual cash operating expenses to base cost of service.

##### **Yankeetown Wholesale Water Rate Calculation – Pages 28 -31**

Pages 28 through 31 include the schedules that reflect the system demand characteristics and allocation of capital assets, pro forma annual cash operating expenses and pro forma annual revenue requirements to the Yankeetown wholesale rate and debt service surcharge on the proposed 2008 bonds.

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## SCHEDULE OF ESTIMATED PROJECT COSTS AND FUNDING

(Per Consulting Engineers)

<u>ESTIMATED PROJECT COSTS</u>	<u>Proposed Project</u>	<u>Proposed Yankeetown</u>	<u>Proposed Total</u>
Estimated Construction Costs and Contingencies:			
Well field improvements	\$550,000		\$550,000
Water treatment plant improvements	4,240,000		4,240,000
Clear wells at treatment plant	1,340,000		1,340,000
Water distribution improvements	250,000		250,000
Replace control system	100,000		100,000
Water main extension for wholesale customer		\$451,000	451,000
Total Estimated Construction Costs and Contingencies	<u>6,480,000</u>	<u>451,000</u>	<u>6,931,000</u>
Estimated Non-Construction Costs			
Engineering	450,000	89,000	539,000
Inspection	185,000		185,000
Bond counsel, local counsel, accounting and financial advisory, bond issuance costs and rounding	354,000 *	26,000 *	380,000
Land for new well field	72,000		72,000
Soil boring and contingencies	33,000		33,000
Total Estimated Non-Construction Costs	<u>1,094,000</u>	<u>115,000</u>	<u>1,209,000</u>
Total Estimated Project Costs	<u>\$7,574,000</u>	<u>\$566,000</u>	<u>\$8,140,000</u>
<u>ESTIMATED PROJECT FUNDING</u>			
Proposed Waterworks Revenue Bonds (SRF)	<u>\$7,574,000</u>	<u>\$566,000</u>	<u>\$8,140,000</u>

\* Allocated pro rata to all other allocable project costs.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**SCHEDULE OF AMORTIZATION OF \$8,140,000 PRINCIPAL AMOUNT  
OF PROPOSED WATERWORKS REVENUE BONDS OF 2008**

Principal payable annually on January 1st, beginning January 1, 2011.  
Interest payable semiannually on January 1st and July 1st, beginning January 1, 2009.

Assumes bonds dated September 11, 2008.

Assumed interest rate as shown.

Payment Date	Principal Outstanding (-----In 1,000's-----)	Principal	Assumed Interest Rate* (%)	Debt Service		Bond Year Total
				Interest	Total (-----In Dollars-----)	
01/01/09	\$8,140			\$94,017.00 **	\$94,017.00	\$94,017.00
07/01/09				153,846.00 **	153,846.00	
01/01/10	8,140			153,846.00 **	153,846.00	307,692.00
07/01/10				153,846.00 **	153,846.00	
01/01/11	8,140	\$280	3.78	153,846.00	433,846.00	587,692.00
07/01/11				148,554.00	148,554.00	
01/01/12	7,860	290	3.78	148,554.00	438,554.00	587,108.00
07/01/12				143,073.00	143,073.00	
01/01/13	7,570	301	3.78	143,073.00	444,073.00	587,146.00
07/01/13				137,384.10	137,384.10	
01/01/14	7,269	313	3.78	137,384.10	450,384.10	587,768.20
07/01/14				131,468.40	131,468.40	
01/01/15	6,956	324	3.78	131,468.40	455,468.40	586,936.80
07/01/15				125,344.80	125,344.80	
01/01/16	6,632	337	3.78	125,344.80	462,344.80	587,689.60
07/01/16				118,975.50	118,975.50	
01/01/17	6,295	349	3.78	118,975.50	467,975.50	586,951.00
07/01/17				112,379.40	112,379.40	
01/01/18	5,946	363	3.78	112,379.40	475,379.40	587,758.80
07/01/18				105,518.70	105,518.70	
01/01/19	5,583	376	3.78	105,518.70	481,518.70	587,037.40
07/01/19				98,412.30	98,412.30	
01/01/20	5,207	391	3.78	98,412.30	489,412.30	587,824.60
07/01/20				91,022.40	91,022.40	
01/01/21	4,816	405	3.78	91,022.40	496,022.40	587,044.80
07/01/21				83,367.90	83,367.90	
01/01/22	4,411	421	3.78	83,367.90	504,367.90	587,735.80
07/01/22				75,411.00	75,411.00	
01/01/23	3,990	437	3.78	75,411.00	512,411.00	587,822.00
07/01/23				67,151.70	67,151.70	
01/01/24	3,553	453	3.78	67,151.70	520,151.70	587,303.40
07/01/24				58,590.00	58,590.00	
01/01/25	3,100	470	3.78	58,590.00	528,590.00	587,180.00
07/01/25				49,707.00	49,707.00	
01/01/26	2,630	488	3.78	49,707.00	537,707.00	587,414.00
07/01/26				40,483.80	40,483.80	
01/01/27	2,142	506	3.78	40,483.80	546,483.80	586,967.60
07/01/27				30,920.40	30,920.40	
01/01/28	1,636	525	3.78	30,920.40	555,920.40	586,840.80
07/01/28				20,997.90	20,997.90	
01/01/29	1,111	545	3.78	20,997.90	565,997.90	586,995.80
07/01/29				10,697.40	10,697.40	
01/01/30	566	566	3.78	10,697.40	576,697.40	587,394.80
Totals		\$8,140		\$4,008,320.40	\$12,148,320.40	\$12,148,320.40
Average annual debt service for five years ended January 1, 2015.						\$587,330.20

\* Assumes the current second quarter SRF subsidized interest rate plus 25 basis points.

\*\* Subject to actual draws.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**SCHEDULE OF COMBINED BOND AMORTIZATION**

<u>Payment Date</u>	<u>2006 Bonds (Unaudited)</u>	<u>Proposed 2008 Bonds</u>	<u>Combined</u>	<u>Bond Year Total</u>
07/01/08	\$93,467.50		\$93,467.50	
01/01/09	243,467.50	\$94,017.00	337,484.50	\$430,952.00
07/01/09	90,280.00	153,846.00	244,126.00	
01/01/10	245,280.00	153,846.00	399,126.00	643,252.00
07/01/10	86,986.25	153,846.00	240,832.25	
01/01/11	246,986.25	433,846.00	680,832.25	921,664.50
07/01/11	83,586.25	148,554.00	232,140.25	
01/01/12	248,586.25	438,554.00	687,140.25	919,280.50
07/01/12	80,080.00	143,073.00	223,153.00	
01/01/13	250,080.00	444,073.00	694,153.00	917,306.00
07/01/13	76,467.50	137,384.10	213,851.60	
01/01/14	256,467.50	450,384.10	706,851.60	920,703.20
07/01/14	72,642.50	131,468.40	204,110.90	
01/01/15	257,642.50	455,468.40	713,110.90	917,221.80
07/01/15	68,711.25	125,344.80	194,056.05	
01/01/16	263,711.25	462,344.80	726,056.05	920,112.10
07/01/16	64,567.50	118,975.50	183,543.00	
01/01/17	269,567.50	467,975.50	737,543.00	921,086.00
07/01/17	60,211.25	112,379.40	172,590.65	
01/01/18	275,211.25	475,379.40	750,590.65	923,181.30
07/01/18	55,588.75	105,518.70	161,107.45	
01/01/19	280,588.75	481,518.70	762,107.45	923,214.90
07/01/19	50,695.00	98,412.30	149,107.30	
01/01/20	285,695.00	489,412.30	775,107.30	924,214.60
07/01/20	45,525.00	91,022.40	136,547.40	
01/01/21	290,525.00	496,022.40	786,547.40	923,094.80
07/01/21	40,135.00	83,367.90	123,502.90	
01/01/22	295,135.00	504,367.90	799,502.90	923,005.80
07/01/22	34,397.50	75,411.00	109,808.50	
01/01/23	299,397.50	512,411.00	811,808.50	921,617.00
07/01/23	28,435.00	67,151.70	95,586.70	
01/01/24	308,435.00	520,151.70	828,586.70	924,173.40
07/01/24	21,855.00	58,590.00	80,445.00	
01/01/25	316,855.00	528,590.00	845,445.00	925,890.00
07/01/25	14,922.50	49,707.00	64,629.50	
01/01/26	324,922.50	537,707.00	862,629.50	927,259.00
07/01/26	7,637.50	40,483.80	48,121.30	
01/01/27	332,637.50	546,483.80	879,121.30	927,242.60
07/01/27		30,920.40	30,920.40	
01/01/28		555,920.40	555,920.40	586,840.80
07/01/28		20,997.90	20,997.90	
01/01/29		565,997.90	565,997.90	586,995.80
07/01/29		10,697.40	10,697.40	
01/01/30		576,697.40	576,697.40	587,394.80
Totals	<u>\$6,367,382.50</u>	<u>\$12,148,320.40</u>	<u>\$18,515,702.90</u>	<u>\$18,515,702.90</u>

Average annual principal and interest payment for the five bond years ended January 1, 2015.

\$919,235.20

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## PRO FORMA ANNUAL CASH OPERATING EXPENSES

See Explanation of Adjustments, pages 9 to 13.

No inflation adjustment made.

	12 Months Ended 12/31/2007 (Unaudited)	Adjustments	Ref.	Pro Forma
<u>Annual Cash Operating Expenses:</u>				
Sources and supply:				
Purchased power and fuel	\$121,974	\$7,405	(1)	\$129,379
Repairs and maintenance		45,700	(2)	45,700
Other	2,890			2,890
Transmission and Distribution:				
Repairs and maintenance		33,333	(2)	33,333
Other	118,209	(118,209)	(3)	0
Customer Accounts:				
Salaries and wages	57,736	1,236	(4)	58,972
Materials and supplies	4,628			4,628
Bad debt expense	1,200			1,200
Miscellaneous	8,103			8,103
Administrative and General:				
Salaries and wages	32,482	2,464	(4)	34,946
Employee pensions and benefits	42,045	3,645	(5)	45,690
Contractual services	641,465	16,870	(6)	658,335
Insurance	8,175			8,175
Taxes	21,599	(1,899)	(7)	19,700
Miscellaneous	66,287	(58,083)	(3)	
		890	(8)	
		258	(9)	9,352
Totals	<u>\$1,126,793</u>	<u>(\$66,390)</u>		<u>\$1,060,403</u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)



**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**(Cont'd)**

**PRO FORMA ANNUAL CASH OPERATING EXPENSES**

**Explanation of adjustments  
No inflation adjustment made.**

Adjustment (1) - Purchased Power

To normalize test year expenses to reflect 12 months of purchased power expense.

Pro forma purchased power expense	\$129,379
Less test year purchased power expenditures	<u>(121,974)</u>
Adjustment	<u><u>\$7,405</u></u>

Adjustment (2) - Periodic Maintenance

To adjust test year expenses to reflect pro forma annual periodic maintenance expenses, as determined by the utility manager and consulting engineer.

A. Tank Maintenance:

Elevated tanks (500 MG) (2 @ \$200,000)	\$400,000
Ground level tank (720 MG)(2 @ \$50,000)	<u>100,000</u>
Total	500,000
Amortize over 15 years	<u>15</u>

Sub-total \$33,333

B. Wells and Pumps

Wells and pumps (6 @ \$24,000)	144,000
Amortized over 5 years	<u>5</u>

Sub-total 28,800

C. Clear Wells:

Well cleaning (2 clear wells @ \$10,000)	20,000
Amortized over 5 years	<u>5</u>

Sub-total 4,000

D. Filters:

Cost of overhauling filters (4 filters @ \$25,000)	\$100,000
Amortize over ten years	<u>10</u>

Sub-total 10,000

Sub-totals forward \$76,133

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL CASH OPERATING EXPENSES**

Explanation of adjustments  
No inflation adjustment made.

Adjustment (2) (Cont'd)

Sub-totals carried forward		\$76,133
<b>E. Pumping:</b>		
High service booster pump maintenance (5 pumps @ \$5,000)	25,000	
Mt. Gilead pump maintenance (2 pumps @ \$1,000)	2,000	
EBY booster pump maintenance (2 pumps @ \$1,000)	2,000	
	<hr/>	
Total	29,000	
Amortize over ten years	10	
	<hr/>	
Sub-total		<hr/> 2,900
Pro forma annual periodic maintenance expense		79,033
Less test year periodic maintenance expense		<hr/> -
Adjustment		<hr/> <hr/> \$79,033

Adjustment (3) - Non-recurring or Capital Expenditures

To eliminate test year expenditures that are considered non-recurring or capital.

<u>Date</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
February, 2007	Miscellaneous	SR 62 water main relocate	(\$2,477)
February, 2007	Miscellaneous	Water line project - Spencer Co.	(899)
March, 2007	Miscellaneous	SR 62 water main relocate	(1,313)
April, 2007	Miscellaneous	SR 62 water main relocate	(4,804)
April, 2007	Transmission and distribution - other	SR 62 water main relocate	(62,778)
May, 2007	Transmission and distribution - other	SR 62 water main relocate	(55,431)
May, 2007	Miscellaneous	SR 62 water main relocate	(4,201)
June, 2007	Miscellaneous	SR 62 water main relocate	(3,805)
July, 2007	Miscellaneous	SR 62 water main relocate	(7,287)
August, 2007	Miscellaneous	SR 62 water main relocate	(8,792)
October, 2007	Miscellaneous	SR 62 water main relocate	(6,820)
November, 2007	Miscellaneous	SR 62 water main relocate	(7,320)
November, 2007	Miscellaneous	SR 62 water main relocate	(2,517)
December, 2007	Miscellaneous	Water services	<hr/> (7,848)
Adjustment			<hr/> <hr/> (\$176,292)

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL CASH OPERATING EXPENSES**

Explanation of adjustments  
No inflation adjustment made.

Adjustment (4) - Payroll

To adjust test year payroll expense to reflect pro forma salaries and wages,  
based on 2008 salary ordinance and City officials.

	<u>Customer Account Salaries and Wages</u>	<u>Administrative and General Salaries and Wages</u>	<u>Total</u>
Pro forma payroll	\$58,972	\$34,946	\$93,918
Less test year amount	<u>(57,736)</u>	<u>(32,482)</u>	<u>(90,218)</u>
Adjustment	<u>\$1,236</u>	<u>\$2,464</u>	<u>\$3,700</u>

Adjustment (5) - Employee Benefits

To adjust test year FICA expense to reflect the pro forma payroll expense.

Pro forma payroll subject to FICA	\$93,918	
Times FICA rate	<u>7.65%</u>	
Pro forma FICA expense	7,185	
Less test year amount	<u>(8,273)</u>	
Sub-total		(\$1,088)

To adjust test year PERF expense to reflect pro forma payroll expense.

Pro forma payroll subject to PERF	93,918	
Times PERF rate	<u>4%</u>	
Pro forma PERF expense	3,757	
Less test year amount	<u>(3,347)</u>	
Sub-total		410

To adjust test year health insurance expense to reflect current premiums.

Pro forma health insurance expense	26,529	
Less test year amount	<u>(22,870)</u>	
Sub-total		<u>3,659</u>
Sub-total forward		<u>\$2,981</u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL CASH OPERATING EXPENSES**

Explanation of adjustments  
No inflation adjustment made.

Adjustment (5) - Employee Benefits (Cont'd)

Sub-total carried forward	\$2,981
---------------------------	---------

To adjust life insurance expense to reflect current premiums.

Pro forma life insurance expense	\$336
Less test year amount	<u>(310)</u>

Sub-total	26
-----------	----

To adjust retirees insurance expense to reflect current premiums.

Pro forma retirees insurance expense	7,654
Less test year amount	<u>(7,016)</u>

Sub-total	<u>638</u>
-----------	------------

Total Adjustment	<u><u>\$3,645</u></u>
------------------	-----------------------

Adjustment (6) - Contractual Services

To adjust test year contractual services expense to US Filter (Veolia Water) to reflect current contract and the normalization of repair and replacement expenses per utility officials.

	<u>Operations</u>	<u>Maintenance and Repair</u>	<u>Total</u>
Pro forma Veolia Water management fee	\$493,500	\$164,835	\$658,335
Less test year amount	<u>(470,208)</u>	<u>(171,257)</u>	<u>(641,465)</u>
Adjustment	<u><u>\$23,292</u></u>	<u><u>(\$6,422)</u></u>	<u><u>\$16,870</u></u>

Adjustment (7) - Utility Receipts Tax

To provide for gross receipts tax due on test year gross receipts.

Pro forma test year gross receipts	\$1,408,121
Less annual taxpayer deduction per Indiana Department of Revenue	<u>(1,000)</u>
Total taxable receipts	1,407,121
Utility receipts tax	<u>1.40%</u>
Sub-total	19,700
Less test year disbursements	<u>(21,599)</u>
Adjustment	<u><u>(\$1,899)</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

PRO FORMA ANNUAL CASH OPERATING EXPENSES

Explanation of adjustments  
No inflation adjustment made.

Adjustment (8) - Postage

To normalize test year expenses to reflect 12 months of postage expense.

Pro forma postage expense	\$10,677
Less test year postage expenditures	<u>(9,787)</u>
Adjustment	<u><u>\$890</u></u>

Adjustment (9) - Phone

To normalize test year expenses to reflect 12 months of phone line expense.

Pro forma phone line expense	\$3,097
Less test year phone line expenditures	<u>(2,839)</u>
Adjustment	<u><u>\$258</u></u>

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**CALCULATION OF PRO FORMA DEPRECIATION ALLOWANCE**

**I. Calculation of Pro Forma Depreciation Expense:**

Utility plant in service, as of 12/31/2007 (Unaudited)	\$9,110,693
Plus capitalized items	176,292
Less land	<u>(98,705)</u>
Sub-total	9,188,280
Times annual composite depreciation rate	<u>2.0%</u>
Annual Depreciation Allowance	<u><u>\$183,766</u></u>

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**PRO FORMA ANNUAL REVENUE REQUIREMENTS  
AND ANNUAL OPERATING REVENUES**

See Explanation of Adjustments, Pages 17 - 19.

	12 Months Ended 12/31/2007 (Unaudited)	Initial - Step I*			Final - Step II		
		Adjustments	Ref.	Amount	Adjustments	Ref.	Amount
<b><u>Pro Forma Annual Revenue Requirements</u></b>							
Operation and maintenance expense	\$1,126,793	(\$66,390)	(1)	\$1,060,403	\$19,895	(2)	\$1,080,298
Debt service:							
Outstanding debt	338,098	(6,193)	(3)	331,905			331,905
Proposed debt		307,692	(4)	307,692	279,638	(5)	587,330
Debt service reserves:							
Outstanding debt	68,055		(6)	68,055			68,055
Proposed debt		105,894	(7)	105,894			105,894
Replacements and improvements:							
Depreciation allowance	176,292	7,474	(8)	183,766			183,766
Total revenue requirements	1,709,238	348,477		2,057,715	299,533		2,357,248
Less interest income	(47,645)	43,556	(9)	(4,089)			(4,089)
Less penalties	(10,984)		(10)	(10,984)			(10,984)
Less other income (net of tap fees)	(10,789)		(10)	(10,789)			(10,789)
Less Yankeetown revenues		(28,744)	(11)	(28,744)	(101,196)	(11)	(129,940)
Net Revenue Requirements	<u>\$1,639,820</u>	<u>\$363,289</u>		<u>\$2,003,109</u>	<u>\$198,337</u>		<u>\$2,201,446</u>
<b><u>Annual Revenues:</u></b>							
Metered water revenue	\$1,198,254	\$17,370	(12)	\$1,215,624			\$1,215,624
Fire protection revenue	126,939		(10)	126,939			126,939
Additional revenues from rate increase					670,333		670,333
Total Available Revenues	<u>\$1,325,193</u>	<u>\$17,370</u>		<u>\$1,342,563</u>	<u>\$670,333</u>		<u>\$2,012,896</u>

\* Includes amounts deferred from preceeding IURC Cause No. 42875.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS**

**AND ANNUAL OPERATING REVENUES**

See Explanation of Adjustments, Pages 17 - 19.

	Initial - Step I*			Final - Step II		
	Adjustments	Ref.	Step I	Adjustments	Ref.	Step II
Additional Revenues Required			\$660,546			\$188,550
Additional utility receipts tax	\$9,787	(13)	9,787	4,524	(13)	14,311
Net Additional Revenues Required	<u>\$9,787</u>		<u>\$670,333</u>	<u>\$4,524</u>		<u>\$202,861</u>
Approximate Across-the-Board Percentage Increase Calculated			<u>49.93%</u>			<u>10.08%</u>
Resulting Approximate Minimum Residential Monthly Bill (Presently \$12.15 based on 2,520 gallons)			<u>\$18.22</u>			<u>\$20.06</u>
Resulting Approximate Average Residential Monthly Bill (Presently \$21.21 based on 4,400 gallons)			<u>\$31.81</u>			<u>\$35.02</u>

\* Includes amounts deferred from Preceding IURC Cause No. 42875.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)



**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS  
AND ANNUAL OPERATING REVENUES**

(1) To reflect pro forma operation and maintenance expense, page 8.

(2) To reflect additional Step II operation and maintenance expense.

Additional costs for Yankeetown sales per consulting engineer:

Power purchased and chemicals (\$.23/1,000 gallons)	\$8,395	
Operation, maintenance and repair expenses	<u>11,500</u>	
Sub-total		<u>\$19,895</u>

Total additional Step II operation and maintenance expense	<u><u>\$19,895</u></u>
------------------------------------------------------------	------------------------

(3) To reflect average annual debt service on the outstanding 2006 revenue bonds, page 40.

Pro forma amount	\$331,905
Less test year amount	<u>(338,098)</u>
Adjustment	<u><u>(\$6,193)</u></u>

(4) To reflect interest payments only on the proposed 2008 Revenue Bonds for the year ending January 1, 2010. See page 6.

Adjustment	<u><u>\$307,692</u></u>
------------	-------------------------

(5) To reflect average annual debt service on the proposed 2008 revenue bonds for the five years ending January 1, 2015. See page 6.

Pro forma Step II debt service	\$587,330
Less Step I amount	<u>(307,692)</u>
Adjustment	<u><u>\$279,638</u></u>

(6) A balance equal to the maximum annual debt service of the outstanding 2006 Bonds is required in this account by 1/31/2011. A monthly transfer of \$5,671.25 is required until the balance of the account equals \$340,275.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS  
AND ANNUAL OPERATING REVENUES**

- (7) The debt service reserve for the proposed bonds will be funded over five years assuming interest earnings of 2%. The debt service reserve must equal the combined maximum annual debt service of the 2006 Bonds and the proposed bonds of \$927,259, see page 7.

<u>Calendar Year</u>	<u>2006 Revenue Bonds</u>	<u>Proposed 2008 Rev Bonds</u>	<u>Total Annual Deposits</u>	<u>2 % Interest Earnings</u>	<u>Balance</u>
Beginning balance					\$130,439
2008	\$68,055	\$35,298	\$103,353	\$689	234,481
2009	68,055	105,894	173,949	6,429	414,859
2010	68,055	105,894	173,949	10,037	598,845
2012	5,671	105,894	111,565	13,093	723,503
2013		105,894	105,894	15,529	844,926
2014		70,597	70,597	11,736	927,259
Totals	<u>\$209,836</u>	<u>\$529,471</u>	<u>\$739,307</u>	<u>\$57,513</u>	

- (8) To provide an allowance for replacements and improvements equal to depreciation expense, page 14.

	<u>Initial - Step I</u>
Pro forma amount	\$183,766
Less test year amount	<u>(176,292)</u>
Adjustment	<u>\$7,474</u>

- (9) Pro forma interest income calculated as follows:

Reserve balance @ 12/31/07 (unaudited) (net of required reserve)	\$87,346
Customer deposit balance @ 12/31/07 (unaudited)	<u>117,099</u>
Sub-total	204,445
Times assumed 2% interest rate	x <u>2%</u>
Pro forma amount	4,089
Less test year amount	<u>(47,645)</u>
Adjustment	<u>(\$43,556)</u>

- (10) Calculated at test year amounts.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS**  
**AND ANNUAL OPERATING REVENUES**

(11) To adjust for projected Yankeetown wholesale charges.

	<u>Step I</u>	<u>Step II</u>
Debt service surcharge:		
Debt service :		
Proposed bonds	\$307,692	\$587,330
Debt service reserve:		
Proposed bonds	105,894	105,894
Sub-totals	413,586	693,224
Times debt service allocation (page 30)	x 6.95%	x 6.95%
Sub-totals	28,744	48,180
Volume charges:		
Projected annual water usage (1,000 gallons)		36,500
Times base cost of service volume rate (1,000 gallons) (page 31)		x \$2.24
Sub-totals		81,760
Pro forma amounts	28,744	129,940
Less test year amounts	-	(28,744)
Adjustment	<u>\$28,744</u>	<u>\$101,196</u>

(12) Normalize water sales due to decreasing Tennyson wholesale rate and increasing lowest rate block per month to \$1.86 to equal the base cost of service and increase

	<u>Wholesale</u>	<u>Retail Over 100,000 Gallons / Month</u>	<u>Total</u>
<u>Step I</u>			
Test year consumption subject to base cost of service	16,218,000	27,720,500	
Increase (Decrease) rate to base cost of service	x (\$0.04)	x \$0.65	
Adjustment	<u>(\$648.72)</u>	<u>\$18,018.33</u>	<u>\$17,369.61</u>

(13) To provide for additional utility receipts tax at 1.4% of the additional revenues required.

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES

			Monthly Rate Per 1,000 Gallons		
			Present (1)	Proposed Step I (2)	Proposed Step II (3)
<u>Metered Consumption</u>					
First	10,000	gallons	\$4.82	\$7.23	\$7.96
Next	20,000	gallons	3.64	5.46	6.01
Next	70,000	gallons	2.42	3.63	4.00
Over	100,000	gallons	1.21	2.79 *	3.07

<u>Minimum Charge</u>		Gallons Allowed	Minimum Charge		
5/8	inch meter	2,520	\$12.15	\$18.22	\$20.06
3/4	inch meter	2,520	12.15	18.22	20.06
1	inch meter	6,410	30.90	46.34	51.02
1 1/2	inch meter	15,560	68.44	102.66	113.02
2	inch meter	29,660	119.76	179.64	197.76
3	inch meter	93,130	273.77	410.66	452.32
4	inch meter	268,610	494.42	906.02	997.43

<u>Fire Protection Service</u>		Monthly Rate		
		Present (1)	Proposed Step I (2)	Proposed Step II (3)
5/8	inch meter	\$2.79	\$4.18	\$4.60
3/4	inch meter	4.19	6.28	6.91
1	inch meter	7.04	10.56	11.62
1 1/2	inch meter	13.97	20.95	23.06
2	inch meter	22.35	33.51	36.89
3	inch meter	41.91	62.84	69.17
4	inch meter	69.85	104.73	115.29

\* Bottom bracket increased higher than 49.93% to reflect base cost of service.

- (1) Present rates and charges approved by the IURC pursuant to the Order in Cause No. 42875 dated March 29, 2006.
- (2) Proposed rates and charges represent a 49.93% across-the-board increase in present rates and charges.
- (3) Proposed rates and charges represent a 10.08% across-the-board increase in present rates and charges.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**(Cont'd)**

**SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES**

Fire Protection Service (cont'd)

		<u>Per Annum</u>		
Private fire hydrants, per hydrant		\$614.06	\$920.66	\$1,013.46
Automatic sprinklers:				
2	inch connection & under	112.58	168.79	185.80
3	inch connection	177.42	266.01	292.82
4	inch connection	238.83	358.08	394.17
6	inch connection	358.25	537.12	591.26
8	inch connection	443.49	664.92	731.94

<u>Sales for Resale</u>	<u>Monthly Rate Per 1,000 Gallons</u>		
	<u>Present (1)</u>	<u>Proposed Step I (2)</u>	<u>Proposed Step II (3)</u>
Tennyson	\$1.90	\$2.79 *	\$3.07
Chandler	\$1.95	(Propose to be eliminated)	
Yankeetown:			
Fixed charge		\$2,395	\$4,015
Volume rate			\$2.24

\* Adjusted to reflect base cost of service, which is less than the 49.93% increase.

- (1) Present rates and charges approved by the IURC pursuant to the Order in Cause No. 42875 dated March 29, 2006.
- (2) Proposed rates and charges represent a 49.93% across-the-board increase in present rates and charges.
- (3) Proposed rates and charges represent a 10.08% across-the-board increase in present rates and charges.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES**

<u>Description of Charge</u>	<u>Charge (1)</u>
5/8 and 3/4 inch connection or tap-on	
Short tap	\$560.00
Long tap	715.00
1" inch connection or tap-on or larger	Current cost including materials, labor equipment and overhead but not less than the cost for a 5/8" and 3/4" tap-on.
<u>Reconnection Charge</u>	\$25.00
<u>Special Meter Reading</u>	\$15.00
<u>Bad Check Charge</u>	\$20.00

(1) Present non-recurring charges approved per IURC conference minutes dated July 22, 1999.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

BASE COST OF WATER ANALYSIS

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## SYSTEM DEMAND CHARACTERISTICS

Based upon the twelve months ended December 31, 2007  
(Unaudited)

	<u>Gallons Per Day</u>	
Average day demand (1)	1,149,644	
Maximum day (8/9/07)	1,478,500	
Maximum hour (2)	4,320,000	
	<u>Maximum Day</u>	<u>Maximum Hour</u>
Allocation Factors:		
Base	77.8%	26.6%
Extra-Capacity	<u>22.2%</u>	<u>73.4%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

- (1) Total gallons pumped - 419,619,900.  
(2) Estimated based upon a capacity factor of 200%.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)



# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## CALCULATION OF PRO FORMA CAPITAL ASSETS IN SERVICE

	As of 12/31/2007 (Unaudited)	Plus 2008 Project (1)	Pro Forma Utility Plant
Non-Depreciable:			
Land and land rights	\$98,705	\$72,000	\$170,705
Depreciable:			
Electric power pump station	36,794		36,794
New treatment plant	540,715	6,124,035	6,664,750
Treatment plant improvements	945,574		945,574
Property and plant organization	194,545		194,545
Service materials	190,404		190,404
Power line construction	4,581		4,581
Distribution system	2,057,146	924,124	2,981,270
Transmission system	2,522,027		2,522,027
Reservoirs and tanks	1,304,050		1,304,050
Source of water supply improvements	698,021	639,841	1,337,862
Meters and materials	162,552		162,552
Fire hydrants and materials	46,023		46,023
Electric pump station equipment	94,589		94,589
Office equipment	84,712		84,712
General plant equipment	3,746		3,746
Miscellaneous equipment	126,509		126,509
	<hr/>	<hr/>	<hr/>
Totals	<u>\$9,110,693</u>	<u>\$7,760,000</u>	<u>\$16,870,693</u>

- (1) Represents the current estimate of the costs associated with the Utility's 2008 improvement project. Assumes engineering costs allocated pro rata to construction costs.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## ALLOCATION OF CAPITAL ASSETS TO BASE COST OF SERVICE

(Unaudited)

	Pro Forma Capital Assets	Base Cost of Service		
		%	Amount	Ref.
Non-Depreciable:				
Land and land rights	\$170,705	77.8	\$132,808	(1)
Depreciable:				
Electric power pump station	36,794	77.8	28,626	(1)
New treatment plant	6,664,750	77.8	5,185,176	(1)
Treatment plant improvements	945,574	77.8	735,657	(1)
Property and plant organization	194,545	77.8	151,356	(1)
Service materials	190,404	0.0	-	(2)
Power line construction	4,581	77.8	3,564	(1)
Distribution system	2,981,270	26.6	793,018	(3)
Transmission system	2,522,027	26.6	670,859	(3)
Reservoirs and tanks	1,304,050	26.6	346,877	(3)
Source of water supply improvements	1,337,862	26.6	355,871	(3)
Meters and materials	162,552	0.0	-	(2)
Fire hydrants and materials	46,023	0.0	-	(2)
Electric pump station equipment	94,589	26.6	25,161	(3)
Office equipment	84,712	50.6	42,864	(4)
General plant equipment	3,746	50.6	1,895	(4)
Miscellaneous equipment	126,509	50.6	64,014	(4)
Totals	<u>\$16,870,693</u>		<u>\$8,537,746</u>	
% Capital Assets Allocated to base			<u>50.6%</u>	

### Reference Explanation:

- (1) Allocated on basis of maximum day demands.
- (2) Allocated zero percent to base cost.
- (3) Allocated on basis of maximum hour demands.
- (4) Allocated pro rata to all other plant accounts.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## ALLOCATION OF PRO FORMA ANNUAL OPERATING EXPENSES TO BASE COST OF SERVICE

	Step II Pro Forma	Base Cost of Service		Ref.
		%	Amount	
Sources and supply:				
Purchased power and fuel	\$129,379	100.0	\$129,379	(1)
Power and chemicals for Yankeetown	8,395	0.00		(2)
Repairs and maintenance	45,700	-	-	(3)
Other	2,890	43.5	1,257	(4)
Transmission and Distribution:				
Repairs and maintenance	33,333	-	-	(3)
Repairs and maintenance for Yankeetown	11,500	0.00		(2)
Customer Accounts:				
Salaries and wages	58,972	43.5	25,653	(4)
Materials and supplies	4,628	43.5	2,013	(4)
Bad debt expense	1,200	43.5	522	(4)
Miscellaneous	8,103	43.5	3,525	(4)
Administrative and General:				
Salaries and wages	34,946	43.5	15,202	(4)
Employee pensions and benefits	45,690	43.5	19,875	(5)
Contractual services	658,335	50.0	329,168	(6)
Insurance	8,175	-	-	(3)
Utility receipts tax	19,700	43.5	8,570	(4)
Miscellaneous	9,352	43.5	4,068	(4)
Totals	<u>\$1,080,298</u>		<u>\$539,232</u>	

- (1) Allocated 100% to base cost.
- (2) Costs allocated to Yankeetown.
- (3) Allocated in ratio of capital assets.
- (4) Allocated pro rata to all other cash operating expenses, exclusive of purchased power.
- (5) Allocated based on the percentage of salaries and wages allocated to base cost.
- (6) Allocated 50% to base cost of service per management.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**  
**ALLOCATION OF ANNUAL REVENUE REQUIREMENTS**  
**TO BASE COST OF SERVICE**

	Annual Requirements	Base Cost of Service		Ref.
		%	Amount	
Operation and maintenance expense	\$1,080,298		\$594,117	(1)
Debt service				
Outstanding bonds	331,905	26.6	88,287	(2)
Proposed bonds	587,330	26.6	156,230	(2)
Debt service reserve				
Outstanding bonds	68,055	26.6	18,103	(2)
Proposed bonds	105,894	26.6	28,168	(2)
Replacements and improvements	<u>183,766</u>	26.6	<u>48,882</u>	(2)
Sub-totals	<u>\$2,357,248</u>		<u>\$933,787</u>	
Base cost of water			\$933,787	
Divide by projected billed flow (1,000's of gallons)			<u>304,558,500</u>	(3)
Rate per 1,000 gallons			<u>\$3.07</u>	

(1) See "Allocation of Pro Forma Annual Cash Operating Expenses to Base Cost of Service" page 26.

(2) Allocated based on maximum hour demand.

(3) Test year billed flow (unaudited) adjusted for estimated Yankeetown billed flow.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY  
YANKEETOWN WHOLESALE WATER RATE CALCULATION

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## ALLOCATION OF ESTIMATED PROJECT COSTS TO YANKEETOWN

	<u>Allocable to Yankeetown*</u>	<u>Allocation to Yankeetown Amount</u>	<u>Ref.</u>
Total Estimated Project Costs:			
Well field improvements	\$550,000	\$19,305	(1)
Water treatment plant improvements	4,240,000	148,824	(1)
Clear wells at treatment plant	1,340,000	47,034	(1)
Water distribution improvements	250,000	-	(3)
Yankeetown main, master meter, pumps	451,000	451,000	(2)
Replace control system	100,000	3,510	(1)
Non-construction costs	829,000	29,098	(1)
	<u>\$7,760,000</u>	<u>\$698,771</u>	
Totals			

\* See page 2.

### Explanation of References:

(1) Allocated based on estimated annual flows:

	<u>Gallons Per Day</u>	<u>%</u>
Existing and proposed system	4,320,000	96.49
Estimated Yankeetown*	157,000	3.51
	<u>4,477,000</u>	<u>100.00</u>
Totals		

(2) Allocated 100% to Yankeetown.

(3) Not allocated to Yankeetown.

\* Estimated daily sales of 100,000 adjusted for systemwide line losses of 36.1%.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**ALLOCATION OF PRO FORMA ANNUAL CASH OPERATING EXPENSES  
TO YANKEETOWN**

	Step II Pro Forma	Allocation to Yankeetown Ref.	Amount
Sources and supply:			
Purchased power and fuel	\$129,379	(1)	\$4,541
Power and chemicals for Yankeetown *	8,395	(2)	8,395
Repairs and maintenance	45,700	(3)	1,892
Other	2,890	(3)	120
Transmission and Distribution:			
Repairs and maintenance	33,333	(4)	
Repairs and maintenance for Yankeetown *	11,500	(2)	11,500
Customer Accounts:			
Salaries and wages	58,972	(5)	
Materials and supplies	4,628	(5)	
Bad debt expense	1,200	(5)	
Miscellaneous	8,103	(5)	
Administrative and General:			
Salaries and wages	34,946	(1)	1,227
Employee pensions and benefits	45,690	(1)	1,604
Contractual services	658,335	(3)	27,255
Insurance	8,175	(3)	338
Utility receipts tax	19,700	(3)	816
Miscellaneous	9,352	(4)	
Sub-Totals	<u>\$1,080,298</u>		<u>\$57,688</u>

\* Additional operating expenses per consulting engineer.

**Explanation of References:**

(1) Allocated based on estimated capacity:	Gallons Per Day	%
Existing and proposed system	4,320,000	96.49
Estimated Yankeetown	157,000	3.51
Totals	<u>4,477,000</u>	<u>100.00</u>
(2) Allocated 100% to Yankeetown.		
(3) Allocated based on pro forma utility plant, calculated as follows:		
Utility plant in service at December 31, 2007	\$9,110,693	
Plus capitalized items	<u>7,760,000</u>	
Total pro forma utility plant	<u>\$16,870,693</u>	
Utility plant allocated to Yankeetown (page 28)	\$698,771	
Divided by total pro forma utility plant	<u>16,870,693</u>	
Percent of utility plant allocated to Yankeetown	<u>4.14%</u>	
(4) None allocated to Yankeetown.		
(5) Allocated based on the pro forma number of bills which calculates to less than 1%.		

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## ALLOCATION OF PRO FORMA ANNUAL REVENUE REQUIREMENTS TO YANKEETOWN

	Step II Pro forma	Allocation to Yankeetown Amount	Ref.
<u>Revenue Requirements:</u>			
Operation and maintenance expense	\$1,080,298	\$57,688	(1)
Debt service			
Outstanding bonds	331,905	13,741	(2)
Proposed bonds	587,330	40,819	(3)
Debt service reserve			
Outstanding bonds	68,055	2,817	(2)
Proposed bonds	105,894	7,360	(3)
Replacements and improvements	183,766	7,608	(2)
Totals	<u>\$2,357,248</u>	<u>\$130,033</u>	

- (1) See "Allocation of Pro Forma Annual Cash Operating Expenses to Yankeetown", page 29.
- (2) Allocated based on pro forma utility plant, see page 29.
- (3) Allocated based on estimated project cost as displayed on page 5, calculates as follows:

Yankeetown connection estimated costs	\$566,000
Divided by total estimated project costs	<u>8,140,000</u>
Percentage allocation	<u>6.95%</u>

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)



**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**SUMMARY OF PRO FORMA ANNUAL REVENUE  
REQUIREMENTS ALLOCATED TO YANKEETOWN**

	Total Allocated to Yankeetown	(Ref.)	Function	
			Volumetric	Fixed
<u>Revenue Requirements:</u>				
Operation and maintenance expense	\$57,688	(1)	\$57,688	
Debt service				
Outstanding bonds	13,741	(1)	13,741	
Proposed bonds	40,819	(1)		40,819
Debt service reserve				
Outstanding bonds	2,817	(1)	2,817	
Proposed bonds	7,360	(1)		7,360
Replacements and improvements	<u>7,608</u>	(1)	<u>7,608</u>	
Sub-Totals	<u>\$130,033</u>		81,854	48,179
<u>Divide by proposed billing determinants:</u>				
Estimated annual sales to Yankeetown (1,000's gallons)		(2)	36,500	
Divide by 12 months				<u>12</u>
<u>Resulting proposed rates:</u>				
Volumetric Rate Per 1,000 Gallons			<u>\$2.24</u>	
Proposed Monthly Fixed Charge				<u>\$4,015</u>

(1) See "Allocation of Pro Forma Annual Revenue Requirements To Yankeetown", page 30.

(2) Assumes estimated sales of 100,000 gallons per day per consulting engineer.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

UNAUDITED SUPPLEMENTAL FINANCIAL DATA

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## COMPARATIVE STATEMENT OF NET ASSETS

(Unaudited)

ASSETS	As of December 31,		
	2005	2006	2007
Current Assets:			
Operating cash	\$34,802	\$60,455	\$42,767
Accounts receivable	135,821	94,714	79,765
Inventory - materials and supplies	46,470	31,960	31,960
Total Current Assets	217,093	187,129	154,492
Restricted Assets:			
Bond and interest	369	395	318
Debt service reserve	83,462	146,775	217,785
Customer deposits	111,164	114,350	117,099
Construction		2,213,426	
Total Restricted Assets	194,995	2,474,946	335,202
Other Assets:			
Unamortized bond issuance costs		538,802	631,854
Capital Assets:			
Capital assets	5,257,726	6,945,607	9,110,693
Less accumulated depreciation	(3,897,152)	(4,084,895)	(4,272,637)
Net Capital Assets	1,360,574	2,860,712	4,838,056
TOTAL ASSETS	\$1,772,662	\$6,061,589	\$5,959,604

(Continued on next page)

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**(Cont'd)**

**COMPARATIVE STATEMENT OF NET ASSETS**

**(Unaudited)**

<b>LIABILITIES</b>	As of December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Current Liabilities:</b>			
Accounts payable	\$116,541	\$41,075	\$53,583
Loan payable	30,000		
Customer deposits	111,164	114,350	117,099
Taxes payable	9,259	8,987	7,526
Accrued payroll	(73)	(68)	597
Total Current Liabilities	<u>266,891</u>	<u>164,344</u>	<u>178,805</u>
<b>Noncurrent Liabilities:</b>			
Revenue bonds payable		4,360,000	4,215,000
Unamortized bond discount		(65,400)	(65,400)
Total Noncurrent Liabilities	<u>0</u>	<u>4,294,600</u>	<u>4,149,600</u>
<b>TOTAL LIABILITIES</b>	<u>\$266,891</u>	<u>\$4,458,944</u>	<u>\$4,328,405</u>
<b>NET ASSETS</b>			
Capital assets, net of related debt	\$1,360,574	\$714,138	\$623,056
Restricted assets	194,995	261,520	335,202
Unrestricted assets	(49,798)	626,987	672,941
<b>TOTAL NET ASSETS</b>	<u>\$1,505,771</u>	<u>\$1,602,645</u>	<u>\$1,631,199</u>

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS

(Unaudited)

	Calendar Year Ended		
	2005	2006	2007
Operating Revenue:			
Metered sales	\$869,466	\$1,033,802	\$1,198,254
Fire protection	93,022	102,836	126,939
Penalties	6,455	10,090	10,984
Other income	24,488	128,527	24,299
Total Operating Revenue	993,431	1,275,255	1,360,476
Operating Expenses:			
Sources and supply:			
Purchased power and fuel	119,285	112,060	121,974
Other	1,683	2,171	2,890
Transmission and Distribution:			
Other	123	35,776	118,209
Customer Accounts:			
Salaries and wages	40,223	48,480	57,736
Materials and supplies	2,503	2,959	4,628
Bad debt expense	1,200	1,200	1,200
Miscellaneous	4,357	8,578	8,103
Administrative and General:			
Salaries and wages	18,806	19,702	32,482
Employee pensions and benefits	29,025	36,869	42,045
Contractual services	638,190	633,007	641,465
Insurance	8,417	8,399	8,175
Taxes	13,215	17,326	21,599
Miscellaneous	15,670	100,233	66,287
Sub-Totals	892,697	1,026,760	1,126,793
Depreciation Expense	187,743	187,743	187,743
Total Operating Expenses	1,080,440	1,214,503	1,314,536
Net Operating Income (loss)	(\$87,009)	\$60,752	\$45,940

(Continued on next page)

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND  
OTHER CHANGES IN FUND NET ASSETS**  
(Unaudited)

	Calendar Year Ended		
	2005	2006	2007
Nonoperating Revenues:			
Interest	\$5,358	\$140,516	\$47,645
Nonoperating Expenses:			
Interest on leases and notes	1,757		
Interest on bonds	7,319	166,278	193,098
Totals	9,076	166,278	193,098
Contributions	1,564	2,069	128,067
Change in Net Assets	(89,163)	37,059	28,554
Net Assets - Beginning	1,594,934	1,505,771	1,602,645
Adjustment to Net Worth		59,815 (1)	
Net Assets - Ending	\$1,505,771	\$1,602,645	\$1,631,199

(1) Reflects adjustment to reconcile accounts receivable at December 31, 2006 to include fire protection surcharges.

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## COMPARATIVE STATEMENT OF CASH FLOWS

Increase (decrease) in cash and cash equivalents  
(Unaudited)

	Calendar Year Ended		
	2005	2006	2007
Cash Flows from Operating Activities:			
Cash received from customers	\$995,117	\$1,316,362	\$1,375,425
Cash paid to suppliers, employees and others	(844,731)	(1,022,913)	(984,267)
Net Cash Flows from Operating Activities	150,386	293,449	391,158
Cash Flows from Capital and Related Financing Activities:			
Net additions to capital assets		(1,687,881)	(2,165,086)
Principal paid on revenue bonds	(93,000)		(145,000)
Bond proceeds		4,360,000	
Bond issuance costs		(634,202)	(93,051)
Loan	(32,515)		
Interest on leases and notes	(1,757)		
Interest expense	(7,319)	(166,278)	(193,098)
Net Cash Flows from Capital and Related Financing Activities:	(134,591)	1,871,639	(2,596,235)
Cash Flows from Investing Activities:			
Interest income	5,358	140,516	47,645
Cash and Cash Equivalents:			
Increase (decrease)	21,153	2,305,604	(2,157,432)
Beginning balance	208,644	229,797	2,535,401
Ending balance	\$229,797	\$2,535,401	\$377,969

(Continued on next page)

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**COMPARATIVE STATEMENT OF CASH FLOWS**

**Increase (decrease) in cash and cash equivalents  
(Unaudited)**

	Calendar Year Ended		
	2005	2006	2007
Reconciliation of Net Operating Income to Cash Provided from Operations:			
Net Operating Income	(\$87,009)	\$60,752	\$45,940
Adjustments to Reconcile Net Income to Net Cash Provided from Operating Activities:			
Depreciation Expense	187,743	187,743	187,743
Change in Assets and Liabilities:			
Decrease (Increase) in:			
Accounts receivable	1,686	41,107	14,949
Inventory	(2)	14,510	
Increase (Decrease) in:			
Accounts payable	43,923	(75,466)	12,506
Customer deposits	2,589	3,186	2,749
Taxes payable	(39)	(272)	(1,461)
Accrued payroll	(69)	5	665
Contributions	1,564	2,069	128,067
Adjustment to net worth		59,815	
Net Cash Provided from Operating Activities	<u>\$150,386</u>	<u>\$293,449</u>	<u>\$391,158</u>

(The Accountant's disclaimer of opinion  
is an integral part of this statement)



# BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

## COMPARISON OF ACCOUNT BALANCES WITH MINIMUM BALANCES REQUIRED

<u>Account</u>	<u>Account Balance at 12/31/07 (Unaudited)</u>	<u>Minimum Balance Required (1)</u>	<u>(Ref.)</u>	<u>Variance</u>
Operation and Maintenance	\$42,767	\$176,769	(2)	(\$134,002)
Bond and Interest:				
Debt service	318		(3)	318
Reserve	217,785	130,439	(4)	87,346
Improvement Fund		183,770	(5)	(183,770)
Customer Deposits	<u>117,099</u>	<u>117,099</u>	(6)	
Totals	<u>\$377,969</u>	<u>\$608,077</u>		<u>(\$230,108)</u>

- (1) Minimum balances required by outstanding bond ordinance 2006-1 before funds may be transferred to another account.
- (2) A balance sufficient to provide for the payment of the amounts budgeted and anticipated to be required over the then-next succeeding two months for operation, repair and maintenance of the water utility.

Pro forma operation and maintenance expenses	\$1,060,403
Times factor for two months (2/12)	<u>0.1667</u>
Minimum balance required	<u>\$176,769</u>

(Continued on next page)

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**COMPARISON OF ACCOUNT BALANCES WITH  
MINIMUM BALANCES REQUIRED**

- (3) A balance equal to 1/12th of the next succeeding principal payment and 1/6th of the next succeeding interest payment must be accrued in this account before funds may be transferred.

	Payment Date	Amount	Factor	Monthly Transfer	Months	Minimum Balance
2006 Bonds:						
Principal	01/01/09	\$150,000	1/12	\$12,500	0	\$0
Interest	07/01/08	93,468	1/6	15,578	0	0
Totals				<u>\$28,078</u>		<u>\$0</u>

- (4) A balance equal to the maximum annual debt service of the outstanding 2006 Bonds is required in this account by 1/31/2011. A monthly transfer of \$5,671.25 is required until the balance of the account equals \$340,275.

Balance required 12/31/2006						\$62,384
				<u>Amount</u>	<u># of months</u>	
1/1/2007 - 12/31/2007	=			\$5,671	x 12	<u>68,055</u>
Minimum balance required						<u>\$130,439</u>

- (5) No minimum balance is required; however, an amount equal to one year's depreciation expense is typically maintained in this account as a reserve against emergencies and unforeseen events.

Minimum balance suggested		<u>\$183,770</u>
---------------------------	--	------------------

- (6) Balance fully restricted

(The Accountant's disclaimer of opinion  
is an integral part of this statement)

**BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY**

**SCHEDULE OF AMORTIZATION OF \$4,215,000 PRINCIPAL  
AMOUNT OF OUTSTANDING WATERWORKS REVENUE BONDS OF 2006**

Principal payable annually January 1st.

Interest payable semiannually on January 1st and July 1st.

Interest rates as indicated.

(Unaudited)

Payment Date	Principal Balance (-----In \$1,000's-----)	Principal	Interest Rate(s) (%)	Debt Service		Bond Year Total
				Interest (-----In Dollars-----)	Total	
07/01/08				\$93,467.50	\$93,467.50	
01/01/09	\$4,215	\$150	4.25	93,467.50	243,467.50	\$336,935.00
07/01/09				90,280.00	90,280.00	
01/01/10	4,065	155	4.25	90,280.00	245,280.00	335,560.00
07/01/10				86,986.25	86,986.25	
01/01/11	3,910	160	4.25	86,986.25	246,986.25	333,972.50
07/01/11				83,586.25	83,586.25	
01/01/12	3,750	165	4.25	83,586.25	248,586.25	332,172.50
07/01/12				80,080.00	80,080.00	
01/01/13	3,585	170	4.25	80,080.00	250,080.00	330,160.00
07/01/13				76,467.50	76,467.50	
01/01/14	3,415	180	4.25	76,467.50	256,467.50	332,935.00
07/01/14				72,642.50	72,642.50	
01/01/15	3,235	185	4.25	72,642.50	257,642.50	330,285.00
07/01/15				68,711.25	68,711.25	
01/01/16	3,050	195	4.25	68,711.25	263,711.25	332,422.50
07/01/16				64,567.50	64,567.50	
01/01/17	2,855	205	4.25	64,567.50	269,567.50	334,135.00
07/01/17				60,211.25	60,211.25	
01/01/18	2,650	215	4.30	60,211.25	275,211.25	335,422.50
07/01/18				55,588.75	55,588.75	
01/01/19	2,435	225	4.35	55,588.75	280,588.75	336,177.50
07/01/19				50,695.00	50,695.00	
01/01/20	2,210	235 (1)	4.40	50,695.00	285,695.00	336,390.00
07/01/20				45,525.00	45,525.00	
01/01/21	1,975	245 (1)	4.40	45,525.00	290,525.00	336,050.00
07/01/21				40,135.00	40,135.00	
01/01/22	1,730	255 (2)	4.50	40,135.00	295,135.00	335,270.00
07/01/22				34,397.50	34,397.50	
01/01/23	1,475	265 (2)	4.50	34,397.50	299,397.50	333,795.00
07/01/23				28,435.00	28,435.00	
01/01/24	1,210	280 (3)	4.70	28,435.00	308,435.00	336,870.00
07/01/24				21,855.00	21,855.00	
01/01/25	930	295 (3)	4.70	21,855.00	316,855.00	338,710.00
07/01/25				14,922.50	14,922.50	
01/01/26	635	310 (3)	4.70	14,922.50	324,922.50	339,845.00
07/01/26				7,637.50	7,637.50	
01/01/27	325	325 (3)	4.70	7,637.50	332,637.50	340,275.00
Totals		<u>\$4,215</u>		<u>\$2,152,382.50</u>	<u>\$6,367,382.50</u>	<u>\$6,367,382.50</u>

Average annual debt service for five years ended January 1, 2015.

\$331,905.00

- (1) \$480,000 of Term Bonds due January 1, 2021.  
 (2) \$520,000 of Term Bonds due January 1, 2023.  
 (3) \$1,210,000 of Term Bonds due January 1, 2027.

(The Accountant's disclaimer of opinion  
is an integral part of this statement)